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# HOW FRANCE PROTECTS HER MERCHANT MARINE.

BY PROFESSOR ACHILLE VIALLE.

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At a time when there is under discussion in the United States the expediency of measures of special protection meant to stimulate the revival of that branch of the merchant marine which is engaged in foreign commerce, an account of the measures which France has adopted for the same purpose cannot fail to be of interest to the readers of this REVIEW.

The practical value of protecting the merchant marine has been the subject of animated debate in France, and at the present moment the principle of free trade is supported by strong partisans, who represent, however, but a small minority. As a matter of fact, ever since the Revolution, under which the policy of the old Government was continued, the merchant marine has always been protected, except during the short period between 1866 and 1881. This long experience should, if only by reason of its duration, compel attention. It is rendered still more noteworthy by the many forms given to protection during this time. Especially within the last twenty-five years, when, as a consequence of the adoption of the principle of an equality of treatment of foreign flags with the national one, a system of bounties has been added to it, this experience becomes of prime importance. It throws into strong relief the many difficulties of a problem for which no satisfactory solution has yet been found, as may be seen from the fact that Parliament has just adopted a new law for the merchant marine necessitated by the defects which were recognized in the last statute, and which is the fourth on that head within less than a quarter of a century.

The Convention, desirous of promoting the development of the French marine, reproduced, in a law of September, 1793, the

principal provisions of the English Navigation act of 1651, to which was attributed the extraordinary growth of the British marine. The coasting trade, that is to say, navigation between two French ports, was reserved to the national flag.\* The same was true of navigation between the mother country and the colonies. Furthermore, indirect commerce was prohibited and foreign merchandise might be imported into France only directly either in a French vessel or in a vessel of the exporting country. Two years before this enactment, the National Assembly, wishing to promote the ship-building industry, had, by the tariff of March, 1791, forbidden the importation of sea-going vessels, old or new, built in foreign countries.

During the Revolution and under the First Empire, war made it necessary to depart from the principles underlying the law of 1793. The Restoration Government, upon the whole, continued the policy of protection, but modified these principles in one important respect. It reserved to the national flag a monopoly of the coasting trade and an almost equally exclusive control of the trade with the colonies, but it removed the prohibition on indirect commerce. It did not, however, abandon the merchant marine to the risks of free competition in the carrying trade between France and other countries. Flag surtaxes added to the ordinary customs duties levied upon the merchandise imported into France in foreign bottoms and the tonnage charges to which these vessels were liable at the port of entry, preserved to the French flag a privileged place even in this commerce (law of December, 1814, and of April, 1816). A law of the month of March, 1822, renewed the prohibition against the importation of foreign-built ships. For almost half a century the maritime industries, namely, the building and equipment of ships, flourished under the shelter of these laws. Nevertheless, beginning in 1826, a series of treaties concluded with the principal maritime nations established an equality between the French flag and foreign flags for direct exchange, but the surtaxes on the flag were maintained upon indirect commerce.

In 1860, Emperor Napoleon III, impressed by the happy effects of the liberal economic policy which England had followed for fifteen years, resolved to direct France along the same path. The

\* This measure has existed ever since this epoch, and the coasting trade has remained reserved to the French flag.

powers given him by the Constitution of 1852, in matters of commercial policy, enabled him to overcome the opposition to the plan. The more radical measures of this new policy bore most heavily upon the merchant marine. While agriculture and the manufacturing industries had to endure only a diminution of the protection by which they had profited, as a consequence of a lowering of the import duties, those who built ships and fitted them for sea found themselves suddenly deprived of all protection and subjected to free competition with their foreign rivals.

The law of May, 1866, withdrew the prohibition which had prevented the registration in France of foreign-built vessels. It was content to levy a duty of two francs upon the tonnage, a duty too slight to count as protection. To place French ship-builders upon a plane of equality with their foreign competitors, the law authorized them to import duty free the products and materials, whether raw or manufactured, including boilers and the parts of engines, which were necessary for the construction, rigging and outfitting of ships of commerce. Without this precaution the French would have been handicapped in their struggle with the English ship-builders. They would have been obliged to pay for their raw materials a price increased by the still-existing protection in favor of the manufacturing industries, while the English worked under complete free trade. The law of 1866 was no less radical with regard to the industry of fitting out ships. It is true that it secured the coasting trade to the national flag; but that was the only privilege accorded to the industry. The flag taxes were abolished and colonial navigation was opened to foreign ships.\* In the case of deep-sea navigation absolutely free competition was substituted for the protection by which it had thus far benefited. The ship-building and ship-outfitting industries were not slow to complain of the new regulations to which they were subjected.

In 1870 the Government made an inquiry into their grievances, and the investigation showed that they were justified. In 1873 an extraparlimentary commission was appointed to study the question. This commission, after long and serious consideration, decided that it was impossible for these industries to endure

\* The law of April, 1889, carried a restriction in this respect. It made navigation between France and Algeria like coastwise trade, and so reserved this navigation to the national flag.

competition with rival English industries; for in spite of his precautions, and notwithstanding appearances, the legislator of 1866 had not succeeded in equalizing the struggle. The ship-yards had indeed the right to import free such materials as they needed; but this right could be exercised only under numerous and irksome formalities. Moreover, the ship-builder, being forced to make use of bonded receipts,\* found himself obliged to leave in the hands of the middlemen a part of that tax which the state gave up in his favor. As for the outfitter, he complained of the special burdens which the law, with an ulterior purpose, laid upon him, and which the British marine, especially, did not have to bear. The law of 1793, which has never been modified on this point, requires that three-fourths of the crew of a merchantman be French seamen, and that all the officers be French. Special privileges, some of which are very onerous to the outfitter, are accorded to those Frenchmen who practise navigation professionally, that is to say, as a means of livelihood, by sea or in the ports and roadsteads. The favors granted to the "*inscrits maritimes*" are justified by the special obligations which the law imposes upon these sailors toward the navy, to which they insure a full enlistment.

The Commission of 1873 recognized the necessity of remedying the defects in the law of 1866. It refused, however, in spite of much solicitation, to advise a return to the earlier system. It feared, especially, that the reestablishment of the flag surtaxes might bring about reprisals on the part of other governments. Hence it proposed to offset by direct bounties the burdens which the tariff and special laws imposed upon the building and fitting out of ships in order that these industries might be placed upon a footing of real equality with foreign competition.

The system of bounties advocated by the Commission of 1873 was applied for the first time by the law of January, 1881. But while the Commission had intended that the bounties should serve only to offset the specific burdens of the maritime industries, the law of 1881 went farther. It used the bounty as a

\* The giver of the custom-house bond can receive foreign merchandise admitted to the enjoyment of this privilege without paying customs. If, later, the goods are employed for any other object than that authorized by law, the customs become payable. The engagement to pay the customs is guaranteed either by a sponsor or by a deposit of money.

means of protection. All the other industries of the nation were protected against foreign competition by duties. It was difficult to refuse to the maritime industries a similar treatment.

The law of 1881 abolished the free admission of materials intended for the construction of ships of commerce. By way of compensation it created construction bounties in favor of French ship-builders. These bounties were in principle only the restoration to the ship-builders of the customs duties which affected their materials. The rate was fixed at 60 francs on the gross tonnage for vessels of iron or steel—it was less for wooden vessels and for sailing-ships with auxiliary power—and at 12 francs per hundred kilograms for their machinery.

The ship-owners benefited also by a navigation bounty which applied only to French-built vessels registered for deep-sea navigation. This was of 1 franc 50 on the net tonnage per 1,000 miles run, without distinction between steamers and sailing-ships.

The navigation bounty had a twofold purpose: on the one hand it offset the special burdens imposed by law on the outfitting of French vessels, and on the other constituted an incentive to encourage both branches of the maritime industries.

The ship-owner could not, indeed, hope to retain the whole of the bounty. Protected against foreign competition, the ship-builders in fixing their selling price had now to consider home competition only. Hence they could, by raising their price, oblige the owners to yield to them a part of the profit secured to them by the navigation bounties. Herein lay the danger. It would have been simple enough for the dock-yards to come to an agreement upon their selling price which should wrest from the owners the entire benefit of the bounty. In order to save the latter, therefore, from this monopoly of the home builders, the law accorded to foreign bottoms bought by French owners one-half of the navigation bounty allowed to French-built vessels.

Viewed in the light of its commercial consequences, this law showed appreciable results. The tonnage of steamers increased from 278,000 tons in 1880 to 500,000 tons in 1890. The share of the sea trade going under the French flag during the same period was proportionately increased, rising from 27 per cent. for the term 1878-1880 to 30 per cent. during the years 1888-1890. On the other hand, the results from the ship-builders' point of view were meagre. Of the increase in the tonnage of

steamships during 1880-1890 more than three-fifths was represented by vessels purchased abroad. This was the unexpected result of the half-bounty. "Ship-owners, in the face of the frequently inflated prices of the French ship-builders, had bought an excessive number of old vessels of foreign build, with the result that the French merchant marine was cumbered with all the rubbish of the foreign fleets."\* An awkward clause in the law, by which its duration had been limited to ten years, was also in part responsible for this condition, so that as the date of its expiration drew steadily nearer, newly built vessels had before them a shorter and shorter time within which to profit assuredly by the navigation bounty secured to them. Thus from the year 1887 the efficacy of the law was to a great degree destroyed.

The ship-builders naturally objected to the half-bounty. To abolish it was, they said, the only means of saving them from ruin. The owners, whom such a change would put at the mercy of the builders, exerted themselves to their utmost against these pretensions. Nevertheless, they were defeated, and the law of January, 1893, favored the ship-builder at the expense of the owner.

The bounties upon ship-building were increased. They were raised, for steamships, to 65 francs on the gross tonnage, and to 15 francs per hundred kilograms on the machinery. The half-bounty given for the navigation of foreign-built vessels was abolished, while the navigation bounty upon French-built vessels was thenceforward to be based upon the gross instead of the net tonnage, as in 1881. For this the rate was fixed at 1 franc 10 per gross ton per thousand miles covered for steamers, and 1 franc 70 for sailing-vessels, and this bounty was assured to each vessel for ten years from the date of its registry.

The authors of the law, by raising the rate of the bounty upon sailing-vessels, had intended to prevent their disappearance, since they had diminished rapidly before the advent of steamers; for they regarded the former as the best school for seamen. The result exceeded their intentions, and they saw the strange phenomenon of a steady increase in the sailing fleet, while the number of steamships remained stationary, the very reverse of what was taking place in other countries.

The law of 1893, moreover, shortly after its adoption awakened

\* Report of M. Pierre Baudin, for the Budget Committee, July, 1905.

other and not less serious criticism. The law of 1881 had been attacked by the ship-builders. It was now the turn of the ship-owners to seek from the Parliament the modification of a legislative measure which had sacrificed navigation to ship-building. From 1890 to 1897 the tonnage of steamships underwent no change. The volume of the exchanges carried on under the French flag in competitive commerce remained equally stationary. But whereas in the years 1888-1890 this had represented almost 30 per cent. of the total of such commerce, in 1895-1897 it no longer represented more than 24 per cent.

The French merchant marine allowed itself each year to be distanced by foreign merchant marines, and saw itself overpassed by newer fleets. This condition required consideration. An extraparlimentary commission was named in 1897 to seek a remedy. The ship-owners insistently demanded the reestablishment of the half-bounty upon navigation which had been created in 1881 and abolished in 1893. According to them this half-bounty was merely "an offset to the burdens which the maritime legislation placed upon the ship-owner, burdens inseparable from the origin of the vessel, which incurred them only by reason of its having been registered as a French ship." The ship-builders maintained, on the contrary, that the half-bounty represented "more than a mere compensation to the ship-owner and constituted a real advantage to the foreign ship-builders." In the hope of reestablishing an understanding between these two industries, each necessary to the other, and yet so often in disagreement, the Commission declared itself in favor of such a compensation to the ship-owner as should represent as nearly as possible the real burden borne by him.

The law of April, 1902, is the outcome of the labors of the Commission of 1897. It has not touched the existing status of ship-building, which industry has retained the benefits procured to it by the law of 1893. It has modified only the status of the ship-owner.

Steamships of French construction continue to receive a navigation bounty calculated upon the gross tonnage and per thousand miles run, the rate of this bounty being fixed at 1 franc 70, with an annual decrease of four centimes during the first period of four years, of eight centimes during the second period of four years, and of 16 centimes during the third period of four years.



Besides, for steamships measuring more than 3,000 gross tons, the initial bounty is diminished on the sum total of the tonnage by 1 centime per hundred tons or fraction thereof over and above 3,000 tons, save that the rate for the first year was not to fall below 1 franc 50 up to 7,000 tons. For steamships measuring more than 7,000 tons, the bounty is the same as that to which a steamship of 7,000 tons would be entitled.

A special allowance, called the "chartered allowance," is created for steam-vessels of foreign build sailing under the French flag. This compensation is based for each vessel upon the number of days during which it was chartered and upon the gross tonnage. But for the purpose of the collection of this allowance the maximum number of chartered days is to be taken 300 in any one year. The rate varies according to the tonnage of the vessel: up to 2,000 tons it is five centimes per ton, from 2,000 tons to 3,000 tons it is four centimes; from 3,000 to 4,000 tons it is three centimes, and beyond 4,000 tons it is two centimes. The existence of this "chartered allowance" prevents the navigation bounty from becoming to the same extent as under the law of 1893 merely another form of bounty upon ship-building. It can play this part only to the extent by which it exceeds the owner's bounty.

With a view to promoting the development of speed in steamships, the law deprives those which are too slow of all or a part of the navigation bounty. Steamships making less than ten knots when half laden are excluded from any right to the bounty. For those making less than eleven knots, the bounty is diminished by 10 per cent.; it is diminished by 5 per cent. for those making less than twelve knots. Only vessels having a speed of at least twelve knots receive the full bounty.

As for sailing-ships, there is for them no chartered allowance; but French-built vessels have the right to an allowance under the form of a navigation bounty. The rate of this bounty is 1 franc 70 per thousand miles per gross ton. To prevent a return of conditions similar to those which resulted from the law of 1893, this bounty is made to decrease for vessels of large tonnage; it diminishes by ten centimes per 100 tons for vessels of more than 500 tons up to 1,000 tons. As with steamships, the bounty is subjected to an annual decrease of two centimes during the first period of four years, of four centimes during the second period of four years, and of eight centimes during the third period of four years.

The navigation bounty for steamships and sailing-ships was for twelve years only.

To facilitate the use by the navy of a certain number, at least, of merchant ships, the law anticipates the duty with an extra bounty equal to 25 per cent. of the navigation bounty for steamships constructed on plans previously approved by the navy department.\* Finally, it is stipulated that, in case of war, all the merchant ships may be requisitioned by the state.†

The estimates of the sum which the bounties might reach gave rise to a fear lest they should become too heavy a burden for the treasury. Prudence made it necessary to guard against such a contingency. This was done by means of a double limit—a limit of the tonnage admitted to the benefit of the law, and a limit of the appropriations allowed for the payment of the bounties.

The new tonnage admitted to the benefit of the law was fixed at 500,000 tons gross measurement for steamships—of which 200,000 at most were for ships of foreign build—and at 100,000 tons for sailing-ships. Moreover, the total sum set aside for application of the law of 1902 was limited to 165,000,000 francs. This sum was divided as follows: 115 millions—of which 100 were for steamships and 15 for sailing-ships—devoted to payment of navigation bounties and compensation for outfit, and 50 millions to construction bounties, for the 500,000 tons before mentioned. But no more than 50,000 tons could benefit by the bounty each year.

These precautions for the budget, very wise from a financial point of view, had in the application of the law an unforeseen result. To be sure of profiting by the advantages of the law, the ship-owners hastened to order vessels and to place them on the stocks. Their haste increased when it was seen that there existed a considerable discrepancy between the allowed tonnage and the money appropriated. The appropriation of 150 million francs, opened to assure the payment of the navigation bounties and the compensation for outfit, was much too little. The tonnage of 600,000 tons contemplated by the law would have required an appropriation of 238 million francs. The rush was such, so soon as this formidable mistake was discovered, that,

\* This extra bounty was created by the law of 1881, but it was then only 15 per cent. It was brought up to 25 per cent. by the law of 1893.

† This stipulation was formulated for the first time by the law of 1893.

less than nine months after its promulgation, from December 20th, 1902, the useful effect of the law was completely exhausted. It could be foreseen that in the course of 1904 at latest the ship-yards devoted exclusively or in great part to the construction of merchant ships would find their stocks empty and their workmen without work, and it was to be feared that at the end of a few years the growth of the merchant marine would be completely arrested.

Thus the law of 1902 had succeeded no better than its predecessors in solving the difficult problem of the protection of the merchant marine. Again, recourse was had to an extraparliamentary commission, to create at last, in the light of past experiences, a satisfactory system. The Commission of 1903 proposed a new system, in which the principles adopted by the Government served as a basis for a new bill which the Chamber of Deputies began to discuss the 17th of November, 1905, and became the law of April 18th, 1906.

In the system followed since 1881, the industries of construction and outfit have been dependent upon each other. Constructors found their protection in the part of the navigation bounty which they could, by raising their prices, compel the owners to yield to them. The new law completely separates the ship-builder from the ship-owner.

The construction bounty will have as its object in the future not only to equalize the customs duties affecting the materials employed, but also to give the builders a compensation sufficient to enable them to concede to the French ship-owners the same prices as foreign builders. This bounty is fixed for iron and steel steam-vessels at 145 francs per ton of total measurement. The allowance for engines and auxiliary apparatus is 27 francs 50 per 100 kilograms. The rate of bounty for sailing-ships is 95 francs per measured ton. With the purpose of stimulating French builders to diminish the causes of their disadvantages, which are susceptible of being lessened, the construction bounty will decrease annually to 4 francs 50 for steamships, and to 3 francs 90 for sailing-ships, during the first ten years of the application of the law. After the tenth year they will be of 100 francs and 65 francs, respectively.

Builders receiving a bounty sufficient to enable them to meet the competition of their foreign rivals need no longer ask that

the privilege of ship-owners to buy their ships wherever it seems best to them be limited. As to the ship-owners, to place them in a position to compete with foreign vessels, it is enough to assure them an allowance equal to the special costs of operating which French legislation imposes on them. Owners, therefore, want the benefit only of compensation for running their vessels. This will be due for each day of actual running, and per ton of total gross measurement. Its rates are: for steamships four centimes per ton up to 3,000 tons; three centimes per ton more from 3,001 to 6,000 tons, and two centimes per ton more from 6,001 tons upward; and for sailing-ships, three centimes per ton up to 500 tons, two centimes per ton more from 501 to 1,000 tons, and one centime per ton more over and above 1,001 tons. This compensation will be paid to French and foreign ships going under the French flag for the first twelve years.

The form of encouraging speed in steamships is somewhat modified. Those half laden giving on trial a speed less than nine knots are entitled to no allowance. For those which have realized a speed less than ten knots, but as many as or more than nine knots, the rate of compensation is reduced to 15 per cent. This rate is increased by 10 per cent. for vessels having a speed of at least 14 knots; by 20 per cent. for those giving at least 15 knots, and by 30 per cent. for those giving at least 16 knots.

The extra bounty of 25 per cent. for ships used by the navy is preserved, as also the right of requisition by the state on all merchant ships in case of war.

The discussion of this new plan has again brought the advocates and the adversaries of the bounty system face to face. The attack against it has been directed with energy by a former minister of finance, M. Caillaux, who insisted that it has "transformed operations of industrial and commercial character into operations purely financial." "The owner on the alert to open a market for our commerce and industry has been succeeded," says M. Caillaux, "by a new school, less mindful of cargo than of bounty."

Partisans of the bounty have protested against this rigorous judgment; but it is very hard for them to urge in favor of the system the results obtained during the twenty-four years in which it has already operated. The reporter of the bill, M. Pierre Baudin, formerly minister of public works, showed no great con-

fidence in this system. "The purpose of the system of bounties," he declares, "is the development of the merchant marine; but the incoherence of the results seems to make it plain that we have always struck aside and determined too often the futile birth of artificial productions." If he cling to it, it is because he may see no means of sudden departure from the course to which the country has pledged itself. "The situation is such that, in spite of everything, we must continue to subsidize our ship-builders and our ship-owners, lest we see, at no distant date, the disappearance of our merchant marine." An ardent partisan of the bounty, M. Thierry, was forced, for his part, to recognize the small success which it has thus far had: "Who shall prove what might have happened had there never been a bounty? The result has perhaps not been brilliant; nevertheless, it has been positive and reassuring. A very clear movement in the way of progress is unmistakably discovered whenever this help has come."

From 1880 to 1904 the tonnage of steamships has indeed almost doubled, passing from 278,000 to 549,000 tons. The tonnage carried by them in the navigation of competition has likewise increased, rising from 4,562,000 tons in 1880 to 5,423,000 tons in 1904. But this increase is in no sense proportionate to that of the navigation; whereas in 1880 the French flag carried 27 per cent. of the latter, in 1904 it no longer carried more than 18 per cent.

These modest results have, moreover, been obtained only at the price of sacrifices peculiarly onerous for the treasury. The following table shows the cost of the system of bounties since 1881:\*

|                | Construction<br>bounties.<br>Francs. | Navigation<br>bounties.<br>Francs. | Compensation<br>for outfit.<br>Francs. | Total.<br>Francs. | Mean annual<br>expense.<br>Francs. |
|----------------|--------------------------------------|------------------------------------|--|-------------------|------------------------------------|
| Law of 1881, { |                                      |                                    |  |                   |                                    |
| 1881-1892 {    | 31,658,000                           | 91,040,000                         | .....                                  | 122,698,000       | 10,225,000                         |
| Law of 1893, { |                                      |                                    |  |                   |                                    |
| 1893-1901 {    | 46,755,000                           | 104,276,000                        | .....                                  | 151,031,000       | 16,781,000                         |
| Law of 1902, { |                                      |                                    |  |                   |                                    |
| 1902-1904 {    | 30,289,000                           | 77,434,000                         | 152,000                                | 107,875,000       | 35,958,000                         |
|                | 108,702,000                          | 272,750,000                        | 152,000                                | 381,604,000       |                                    |

Within twenty-four years there has been an outlay of more than 381 million francs. According to the Budget Commission, the new law will absorb during the first seven years of its appli-

\* After the figures given by M. Pierre Baudin, in his report for the Committee of the Budget, July, 1905.

cation—the only years for which a serious estimate is possible—more than 84 million francs, almost 12 millions a year, which should be added to the payments in the fulfilment of promises made in virtue of the law of 1893.

The outgo for bounties does not represent all of the sacrifice which the French treasury imposes upon itself to aid the merchant marine. Subsidies to the maritime companies charged with the postal service must also be counted.

The subsidy antedates the bounty. Its definite adoption goes back to the beginning of the nineteenth century. The system is calculated to secure regular and rapid postal communication with certain countries beyond seas, and at the same time to constitute an auxiliary fleet capable of being utilized by the navy in times of war. The existence of fixed lines with constant service is also a means of favoring the expansion of the national commerce.

The state obtains, moreover, in exchange for the subsidy, direct advantages: the free carriage of the mails and the funds of the public treasury; transport of officials at a reduced price, and of arms and stores destined for the service of the state. The two great subsidized French companies are The General Transatlantic Company, which maintains the lines to New York, the Antilles, and some lines of the Mediterranean, and the Compagnie des Messageries Maritimes, which maintains the lines to the Far East, Australia and New Caledonia, Brazil and the Argentine Republic, and the eastern coast of Africa.

The postal subsidies in the budget for 1906 amount to 26 million francs. As the construction and navigation bounties and the compensation for outfit absorb 36 million francs, France spends 62 million francs a year, almost 12 million dollars, for the protection of its merchant marine.

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